

AMENDED IN SENATE JUNE 13, 2006

AMENDED IN ASSEMBLY APRIL 12, 2005

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 974

Introduced by Assembly Member Nunez

February 18, 2005

An act to add ~~Section 1105 to Chapter 3 (commencing with Section 3260) to Part 4 of Division 1 of the Public Utilities Code, relating to energy resources~~ *electricity*.

LEGISLATIVE COUNSEL'S DIGEST

AB 974, as amended, Nunez. ~~Energy resources~~ *Electricity: Public Utilities Commission: electrical transmission siting infrastructure planning and investment*.

Existing law establishes the State Energy Resources Conservation and Development Commission (Energy Commission) in the Resources Agency. Existing law requires the Energy Commission to conduct biennial assessments and forecasts of all aspects of energy industry supply, production, transportation, delivery and distribution, demand, and prices. ~~The Energy Commission is required to use these assessments and forecasts to develop energy policies that conserve resources, protect the environment, ensure energy reliability, enhance the state's economy, and protect public health and safety.~~ The Energy Commission is required to adopt a biennial integrated energy policy by November 1 that contains an overview of major energy trends and issues facing the state. Existing law requires the Energy Commission to adopt a strategic plan for the state's ~~electric~~ *electrical* transmission grid using existing resources, to be included in the integrated energy

policy report adopted on November 1, 2005, which identifies and recommends actions required to implement investments needed to ensure reliability, relieve congestion, and to meet future growth in electrical load and generation, including, renewable resources, energy efficiency, and other demand reduction measures.

Under existing law, the *California Public Utilities Commission* (CPUC) has regulatory authority over public utilities, including electrical corporations. *Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable.* The existing Public Utilities Act prohibits any electrical corporation from beginning the construction of, among other things, a line, plant, or system, or of any extension thereof, without having first obtained from the CPUC a certificate that the present or future public convenience and necessity require or will require that construction.

The existing restructuring of the electrical industry within the Public Utilities Act provides for the establishment of an Independent System Operator (ISO) as a public benefit nonprofit corporation. Existing law requires the ISO to ensure efficient use and reliable operation of the transmission grid consistent with achieving planning and operating reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the American Electric Reliability Council.

~~This bill would require the CPUC, by July 1, 2006, to prepare and implement a comprehensive plan, meeting certain requirements, to streamline the transmission permitting and siting process to provide for the orderly, cost-effective construction or expansion of transmission facilities that may be necessary to integrate renewable generation, increase import capability, or accommodate load growth. The CPUC would be required to consult with the Energy Commission, the Independent System Operator, the Electricity Oversight Board, electrical corporations, appropriate federal, state, and local agencies, California Native American tribes, and the public in the preparation and implementation of the plan enact the Electrical Transmission Infrastructure Investment Act of 2006. The bill would require that every electrical corporation that owns electrical transmission facilities plan for, and provide, sufficient electrical transmission facilities and any upgrades or expansion of those facilities as are reasonably necessary to ensure reliable transmission service to its customers. The bill would require every electrical corporation that~~

owns electrical transmission facilities, by January 1, 2008, and each January 1 thereafter, to report to the CPUC identifying any electrical transmission facility, upgrade, or enhancement that is reasonably necessary to ensure reliable transmission service to its customers.

This bill would require the ISO to identify upgrades and expansions of the electrical transmission system that are under its operational control as are reasonably necessary to maintain adequate operational reliability and ensure the efficient use and operation of the transmission system by delivering lower cost electricity to California consumers. The bill would require the ISO, beginning January 1, 2008, and each January 1 thereafter, to report to the CPUC, the Energy Commission, and the Electricity Oversight Board identifying upgrades and expansions of the electrical transmission system that are necessary to maintain operational reliability or deliver lower cost electricity to California consumers and to identify any transmission facility, system upgrade, or system enhancement necessary to alleviate any operational reliability deficiency.

The bill would require the CPUC to authorize those investments in the electrical transmission infrastructure that it determines are reasonable and necessary to maintain or enhance grid reliability and efficient use. The bill would require the CPUC, when considering a proposed transmission system upgrade or enhancement to alleviate an operational reliability deficiency identified by the ISO, to authorize the upgrade or enhancement, or to authorize an alternative to the upgrade or enhancement that is sufficient to alleviate the operational reliability deficiency. The bill would require the CPUC to streamline the transmission permitting and siting process by eliminating regulatory overlap and duplication, to reduce the time needed to review and approve a certificate of public convenience and necessity for transmission facilities and systems, to expedite the review and approval of new or expanded transmission facilities and systems located within state or federally designated transmission corridors, and to authorize the recovery in rates of the costs the CPUC determines are reasonably incurred by an electrical corporation to plan, design, engineer, construct, operate, and maintain upgrades, enhancements, or additions to transmission facilities and systems, to the extent those costs are not otherwise authorized for recovery in rates approved by the Federal Energy Regulatory Commission. The bill would require the CPUC to report to the Legislature by January 1, 2008, summarizing the status of every application for a certificate

of public convenience and necessity filed by an electrical corporation for a transmission facility, upgrade, or enhancement and to annually update its transmission report as part of its annual workplan.

The bill would require every local publicly owned electrical utility, as defined, that owns electrical transmission facilities to plan for, and provide, sufficient electrical transmission facilities and any upgrades or expansion of those facilities as are reasonably necessary to ensure reliable transmission service to its customers.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 3 (commencing with Section 3260) is
2 added to Part 4 of Division 1 of the Public Utilities Code, to
3 read:

4
5 CHAPTER 3. TRANSMISSION OF ELECTRICITY
6

7 3260. (a) This article shall be known, and may be cited, as
8 the Electrical Transmission Infrastructure Investment Act of
9 2006.

10 (b) For purposes of this chapter, the following terms have the
11 following meanings:

12 (1) "Energy Commission" means the State Energy Resources
13 Conservation and Development Commission.

14 (2) "ISO" means the Independent System Operator
15 established pursuant to Article 2 (commencing with Section 334)
16 and operating pursuant to Article 3 (commencing with Section
17 345) of Part 1 of Division 1.

18 (3) "Local publicly owned electric utility" has the same
19 meaning as set forth in Section 9604.

20 (c) The Legislature finds and declares the following:

21 (1) Planning for, and investing in, electrical transmission
22 infrastructure to ensure its continued efficient use and reliable
23 operation is essential to the health, safety, and economic
24 well-being of California consumers and businesses.

25 (2) The responsibility for planning and investing in electrical
26 transmission infrastructure has historically been carried out as

1 *part of an electrical corporation's obligations to provide*
2 *reliable, reasonably priced, electric service.*

3 *(3) Changes that have occurred over the last decade in the*
4 *structure, operation, and regulation of the electrical industry*
5 *make it appropriate and necessary to clarify and affirm the*
6 *respective responsibilities and obligations of industry*
7 *participants for planning and investing in electrical transmission*
8 *infrastructure, to ensure that adequate investments are made in a*
9 *timely manner so that the state's electrical transmission grid*
10 *system continues to operate in an efficient and reliable manner.*

11 *(d) It is the policy of this state and the intent of the Legislature*
12 *that the commission, the Energy Commission, the ISO, and*
13 *electrical corporations ensure that adequate investments are*
14 *made in a timely manner so that the state's electrical*
15 *transmission system continues to operate in an efficient and*
16 *reliable manner.*

17 *3261. (a) Every electrical corporation that owns electrical*
18 *transmission facilities shall plan for, and provide, sufficient*
19 *electrical transmission facilities and any upgrades or expansion*
20 *of those facilities as are reasonably necessary to ensure reliable*
21 *transmission service to its customers, consistent with Sections*
22 *380 and 399.25. This obligation of an electrical corporation*
23 *includes those customers that receive distribution service from*
24 *the electrical corporation, without regard to whether the*
25 *customer receives electric service through a direct transaction*
26 *with an electric service provider.*

27 *(b) Every electrical corporation that owns electrical*
28 *transmission facilities shall, by January 1, 2008, and each*
29 *January 1 thereafter, report to the commission identifying any*
30 *electrical transmission facility, upgrade, or enhancement that is*
31 *reasonably necessary to ensure reliable transmission service to*
32 *its customers, consistent with Sections 380 and 399.25. Each*
33 *report shall include those transmission facilities, upgrades, or*
34 *enhancements necessary to alleviate any operational reliability*
35 *deficiency identified by the Independent System Operator*
36 *pursuant to Section 3262. Each report shall look forward at least*
37 *10 years and shall consider the most recent assessment of*
38 *electrical load growth forecast by the Energy Commission.*

39 *3262. (a) Consistent with its obligations pursuant to Article*
40 *3 (commencing with Section 345), the ISO shall identify*

1 *upgrades and expansions of the electrical transmission system*
2 *that are under its operational control as are reasonably*
3 *necessary to accomplish both of the following:*

4 *(1) Maintain adequate operational reliability.*
5 *(2) Ensure the efficient use and operation of the transmission*
6 *system by delivering lower cost electricity to California*
7 *consumers.*

8 *(b) The ISO shall, beginning January 1, 2008, and each*
9 *January 1 thereafter, after public review and comment consistent*
10 *with Section 345.5, report to the commission, the Energy*
11 *Commission, and the Electricity Oversight Board. The report*
12 *shall identify upgrades and expansions of the electrical*
13 *transmission system that are necessary to maintain operational*
14 *reliability or deliver lower cost electricity to California*
15 *consumers. Each report shall look forward at least 10 years and*
16 *shall consider the most recent assessment of electrical load*
17 *growth forecast by the Energy Commission. The report shall*
18 *identify any transmission facility, system upgrade, or system*
19 *enhancement necessary to alleviate any operational reliability*
20 *deficiency in accordance with criteria or standards established*
21 *by the Western Electricity Coordinating Council, the North*
22 *American Electric Reliability Council, or their successors, or*
23 *with more stringent reliability criteria proposed by the ISO and*
24 *approved by the Electricity Oversight Board.*

25 *3263. (a) The commission shall authorize those investments*
26 *in the electrical transmission infrastructure that it determines are*
27 *reasonable and necessary to maintain or enhance grid reliability*
28 *and efficient use.*

29 *(b) In considering a proposed transmission system upgrade or*
30 *enhancement to alleviate an operational reliability deficiency*
31 *identified by the ISO pursuant to Section 3262, the commission*
32 *shall authorize the upgrade or enhancement, or shall authorize*
33 *an alternative to the upgrade or enhancement that is sufficient to*
34 *alleviate the operational reliability deficiency.*

35 *(c) Consistent with all applicable environmental laws and*
36 *those laws and commission rules providing for public review and*
37 *participation, the commission shall do all of the following:*

38 *(1) Streamline the transmission permitting and siting process*
39 *by eliminating regulatory overlap and duplication.*

1 (2) *Reduce the time needed to review and approve a certificate*
2 *of public convenience and necessity for transmission facilities*
3 *and systems.*

4 (3) *Expedite the review and approval of new or expanded*
5 *transmission facilities and systems located within state or*
6 *federally designated transmission corridors.*

7 (d) *The commission shall authorize the recovery in rates of the*
8 *costs it determines are reasonably incurred by an electrical*
9 *corporation to plan, design, engineer, construct, operate, and*
10 *maintain upgrades, enhancements, or additions to transmission*
11 *facilities and systems authorized pursuant to this chapter, to the*
12 *extent those costs are not otherwise authorized for recovery in*
13 *rates approved by the Federal Energy Regulatory Commission.*

14 (e) *By January 1, 2008, the commission shall report to the*
15 *Legislature summarizing the status of every application for a*
16 *certificate of public convenience and necessity filed by an*
17 *electrical corporation for a transmission facility, upgrade, or*
18 *enhancement. The report shall include actions the commission*
19 *has taken to facilitate the permitting and siting of the facilities*
20 *and a schedule to ensure adequate investments are made in a*
21 *timely manner in electrical transmission infrastructure to ensure*
22 *that the state's electrical transmission system continues to*
23 *operate in an efficient and reliable manner. The commission*
24 *shall annually update its transmission report as part of its annual*
25 *workplan.*

26 (f) *Nothing in this section shall delay, deter, or otherwise*
27 *impede the planning, designing, engineering, permitting, siting,*
28 *or construction of any transmission improvement for which a*
29 *certificate of public convenience and necessity has been filed*
30 *with the commission before January 1, 2007.*

31 3264. (a) *Every local publicly owned electric utility that*
32 *owns electrical transmission facilities shall plan for, and*
33 *provide, sufficient electrical transmission facilities and any*
34 *upgrades or expansion of those facilities as are reasonably*
35 *necessary to ensure reliable transmission service to its*
36 *customers.*

37 (b) *Every local publicly owned electric utility that owns*
38 *electrical transmission facilities shall plan for, and provide,*
39 *sufficient electrical transmission facilities and any upgrades or*
40 *expansion of those facilities in a manner that recognizes the*

1 *intent of the Legislature to ensure that adequate investments are*
2 *made in a timely manner so that the state's electrical*
3 *transmission system continues to operate in an efficient and*
4 *reliable manner.*

5 SECTION 1. ~~The Legislature finds and declares all of the~~
6 ~~following:~~

7 ~~(a) California lacks an integrated, statewide approach to~~
8 ~~electric transmission corridor planning that addresses the state's~~
9 ~~critical energy policy goals and allows electric transmission~~
10 ~~projects to move seamlessly from the planning phase into the~~
11 ~~permitting phase for timely approval and construction of needed~~
12 ~~electric transmission lines.~~

13 ~~(b) Planning for and establishing a high-voltage electric~~
14 ~~transmission system to accommodate the development of~~
15 ~~renewable resources within the state, facilitate bulk electricity~~
16 ~~transactions, ensure access to out-of-state regions that have~~
17 ~~surplus electricity available, and reliably and efficiently supply~~
18 ~~existing and projected load growth is vital to the future economic~~
19 ~~and social well-being of California.~~

20 ~~(c) The construction of new high-voltage electric transmission~~
21 ~~lines within new or existing corridors has become increasingly~~
22 ~~difficult.~~

23 ~~(d) It is in the interest of the state to establish an electricity~~
24 ~~transmission corridor planning process to accomplish all of the~~
25 ~~following:~~

26 ~~(1) Identify the long-term needs for electric transmission~~
27 ~~corridors within the state.~~

28 ~~(2) Work with appropriate federal, state, and local agencies,~~
29 ~~California Native American tribes, and the public to study~~
30 ~~transmission corridor alternatives and designate appropriate~~
31 ~~corridors for future use to ensure reliable and efficient electricity~~
32 ~~supplies for California's residents.~~

33 ~~(3) Integrate transmission corridor planning at the state level~~
34 ~~with local and regional planning so that designated corridors are~~
35 ~~reflected in local general and specific regional plans.~~

36 SEC. 2. ~~Section 1105 is added to the Public Utilities Code, to~~
37 ~~read:~~

38 ~~1105. (a) The commission shall, by July 1, 2006, prepare and~~
39 ~~implement a comprehensive plan to streamline the transmission~~
40 ~~permitting and siting process to provide for the orderly,~~

1 ~~cost-effective construction or expansion of transmission facilities~~
2 ~~that may be necessary to integrate renewable generation, increase~~
3 ~~import capability, or accommodate load growth.~~

4 (b) ~~The plan shall eliminate regulatory overlap and~~
5 ~~duplication, and reduce the time needed to review and approve a~~
6 ~~request for transmission facilities.~~

7 (c) ~~The plan shall provide for the expedited review and~~
8 ~~approval of new or expanded transmission facilities located~~
9 ~~within transmission corridors designated within local general and~~
10 ~~specific plans.~~

11 (d) ~~The commission shall consult with the State Energy~~
12 ~~Resources Conservation and Development Commission, the~~
13 ~~Independent System Operator, the Electricity Oversight Board,~~
14 ~~electrical corporations, appropriate federal, state, and local~~
15 ~~agencies, California Native American tribes, and the public in the~~
16 ~~preparation and implementation of the plan.~~